

Message Text

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AMEMBASSY SANTIAGO PRIORITY

C O N F I D E N T I A L SECTION 1 OF 2 HAVANA 0013

BOGOTA, BUENOS AIRES, AND SANTIAGO FOR CODEL REUSS

EO 11652: GDS

TAGS: PDIP ETRD MILI EFIS CU US

SUBJECT: CODEL REUSS VISIT: HIGHLIGHTS

REF: HAVANA 0010

1. SUMMARY: OVERALL TONE OF CODEL REUSS VISIT WAS VERY POSITIVE, AND CUBANS EXTENDED THEMSELVES IN ALL ARRANGEMENTS - BOTH IMPORTANT POLITICAL SIGNALS IN WAKE OF CASTRO'S HARSH DECEMBER 24 SPEECH. IN ADDITION, FACT THAT GROUP WAS ATTENDED AT DECEMBER 31 COUNCIL OF STATE RECEPTION, NOT ONLY BY FIDEL CASTRO, BUT ALSO BY VICE-PRESIDENT CARLOS RAFAEL RODRIGUEZ, CASTRO'S "POLITICAL ASSISTANTS" JESUS MONTANE, OSMANY CIENFUEGOS, JOSE "PEPIN" NARANJO, AND JOSE MIYAR, AS WELL AS MINISTER OF FOREIGN TRADE FERNANDEZ FONT, MINISTER OF EDUCATION FERNANDEZ, MINISTER-PRESIDENT OF STATE COMMITTEE ON ECONOMIC COLLABORATION RODRIGUEZ LLOMPART, AND MINISTER-PRESIDENT OF THE NATIONAL BANK OF CUBA LEON TORRAS (ALL, EXCEPT FOR MIYAR AND LEON, CP CENTRAL COMMITTEE MEMBERS) SUGGESTS THAT CASTRO WISHED TO OFFSET WHATEVER NEGATIVE IMPRESSIONS CREATED BY HIS DECEMBER 24 DENUNCIATION OF US POLICY TOWARD CUBA. BURDEN OF CUBAN STATEMENTS DURING ALL MEETINGS WAS THAT CUBA IS INTERESTED IN NORMALIZING RELATIONS AND TRADE, BUT
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NORMALIZATION IS A DESIDERATUM NOT A NECESSITY. END SUMMARY.

2. IN ADDITION TO COUNCIL OF STATE RECEPTION, CODEL RECEIVED BRIEFINGS FROM FERNANDEZ FONT, LEON TORRAS, EDUCATION MINISTER FERNANDEZ AND MINISTER-PRESIDENT OF STATE COMMITTEE ON FINANCES FRANCISCO GARCIA VALLS, MINISTER OF FISHING INDUSTRY ANIBAL VELAZ, AND FIRST VICE-PRESIDENT OF STATE COMMITTEE ON ECONOMIC COLLABORATION ANGEL

GOMEZ TRUEBA. SIGNIFICANT HIGHLIGHTS OF THESE DISCUSSIONS ARE REPORTED BELOW (AS REQUESTED BY CODEL).

3. MINISTER OF FISHING INDUSTRY VELAZ

-- VELAZ COMPLAINED ABOUT US FISHING REGULATIONS WHICH MANDATE TERMINATION OF ALL FISHING WHEN QUOTA IS FILLED IN ANY ONE SPECIES. PRACTICAL EFFECT OF THESE RULES, GIVEN LARGE INCIDENTAL CATCH, VELAZ SAID, IS TO MAKE IT VIRTUALLY IMPOSSIBLE FOR CUBA TO OBTAIN FULL MEASURE OF EVEN SMALL SUMS OF PERMITTED SPECIES ALLOCATED TO CUBA UNDER US FOREIGN FISHING QUOTA SYSTEM.

4. MINISTER OF EDUCATION FERNANDEZ

-- FERNANDEZ SAID THAT THERE ARE 4,000 CUBAN STUDENTS OUTSIDE CUBA (PRESUMABLY IN USSR/EE) PURSUING HIGHER EDUCATION.

-- HE SAID THAT DECLINING BIRTHRATES SINCE 1971 (1976 - 1.88 PERCENT; 1977 - 1.83 PERCENT; 1978 - ESTIMATED 1.7 PERCENT) WOULD LOWER REQUIREMENTS OF SCHOOL CONSTRUCTION, THUS CHANNELING FUNDS INTO HOUSING AREA.

-- HE DEFENDED IDEOLOGICALLY BASED EDUCATIONAL PHILOSOPHY OF REVOLUTION.

5. MINISTER OF FOREIGN TRADE FERNANDEZ FONT
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-- FULL NORMALIZATION OF RELATIONS WITH US PRESUMES, NOT ONLY LIFTING OF EMBARGO, BUT ALSO CUBAN RECEIPT OF MFN, GSP, ACCESS TO US OFFICIAL AND COMMERCIAL CREDIT (PARTICULARLY FOR PURCHASES OF CAPITAL GOODS AND MACHINERY.)

-- MFN IS PARTICULARLY IMPORTANT FOR CUBA, GIVEN SUBSTANTIAL US MFN/NON-MFN TARIFF DIFFERENCES ON RUM, TOBACCO AND NICKEL SULPHIDE. ALSO POSSIBILITY OF FUTURE CHANGES ON SUGAR TARIFF SCHEDULE MUST BE BORNE IN MIND.

-- IF MFN AND OTHER BENEFITS ARE DENIED BECAUSE OF JACKSON-VANIK, CUBA WOULD STILL TRADE WITH US ONCE EMBARGO LIFTED, THOUGH SITUATION WOULD NOT BE COMPLETELY NORMALIZED.

-- A NUMBER OF US SUGAR REFINERIES ARE HIGHLY INTERESTED IN CUBAN RAW SUGAR; FREEPORT SULPHUR'S LOUISIANA NICKEL REFINERY, DESPITE LOW NICKEL DEMAND, WOULD BENEFIT FROM NEARBY SOURCE OF SUPPLY; AND US MARKET FOR SEAFOOD, TOBACCO AND RUM OFFERS OPPORTUNITIES FOR CUBA.

-- CUBA NEEDS CREDITS TO BUY HIGH-PRICE MACHINES AND EQUIPMENT,

SUCH AS TRACTORS, SINCE CASH IS LACKING FOR THIS PURPOSE. CUBA NOW RECEIVES GENEROUS STATE CREDITS FROM COUNTRIES SUCH AS SPAIN, FRANCE, CANADA, JAPAN, AND SWEDEN.

-- FOREIGN INVESTMENT IS NOT EXCLUDED BY CUBAN LEGISLATION. POLICY TOWARD INVESTMENT WILL BE STUDIED ON CASE-BY-CASE BASIS.

-- CUBANS REFER TO US EMBARGO AS "BLOCKADE" BECAUSE IT INVOLVES NOT ONLY BILATERAL BAN ON TRADE, BUT ALSO PRESSURE ON THIRD COUNTRIES (E.G., US REFUSAL TO BUY FOREIGN STEEL CONTAINING CUBAN NICKEL).

-- CUBA MUST BE INDEMNIFIED FOR DAMAGES SUFFERED AS RESULT OF EMBARGO AND "AGGRESSIONS". ONLY THEN CAN COMPENSATION BE PAID TO US OWNERS OF EXPROPRIATED PROPERTY.
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AA CUBAN EXPROPRIATIONS WERE RESULT OF US HOSTILE ACTIONS - REFUSAL TO REFNE SOVIET OIL AND REDUCTION OF CUBAN SUGAR QUOTA. BAY OF PIGS AND OTHER US INVASION THREATS LED CUBAN GOVERNMENT TO ASK SOVIETS TO PLACE MISSILES HERE.

-- CUBA DOES NOT MENTION US TROOPS ABROAD AND US SHOULD NOT COMPLAIN ABOUT CUBAN TROOPS IN AFRICA. CUBANS ARE ONLY HELPING PEOPLE BEING ATTACKED - ANGOLA DID NOT INVADE SOUTH AFRICA, ETHIOPIA DID NOT INVADE SOMALIA, AND MOZAMBIQUE DID NOT INVADE RHODESIA.

6. FIRST VICE- PRESIDENT OF STATE COMMITTEE ON ECONOMIC COLLABORATION GOMEZ TRUEBA

-- INCREASED STRESS WILL BE PLACED BY CUBA ON INDUSTRIAL DEVELOPMENT IN NEAR-TERM FUTURE. INVESTMENT IN INDUSTRY WILL CONSTITUTE 40 PERCENT OF TOTAL INVESTMENT IN 1978 PLAN. OF THIS AMOUNT, 70 PERCENT OF INDUSTRIAL INVESTMENT WILL BE CHANNELED TO "BASIC INDISTRY" (COMMENT: PRESUMABLY PRODUCTION OF MATERIALS FOR, AND MEANS OF, PRODUCTION).

-- INDUSTRIAL GROWTH WILL BE PROPORTIONAL TO OTHER BRANCHES OF ECONOMY. GOAL IS TO TRANSFORM CUBA INTO AGRICULTURAL-INDUSTRIAL COUNTRY IN WHICH RELATIVE DEPENDENCE ON SUGAR IS REDUCED. CUBA BECOMES EXPORTER OF WIDER GAMUT OF PRODUCTS, AND COUNTRY BECOMES REPOSITORY OF TECHNICAL AND MANAGERIAL EXPERTISE.

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ACTION H-03

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C O N F I D E N T I A L SECTION 2 OF 2 HAVANA 0013

BOGOTA BUENOS AIRES, AND SANTIAGO FOR CODEL REUSS

--CUBA TODAY HAS 5,000 TECHNICIANS OVERSEAS. SOME COUNTRIES PAY AND OTHERS DO NOT. ONE OF CUBA'S BEST RESOURCES IS ITS EDUCATED PEOPLE WHO CAN PROVIDE OVERSEAS SERVICES, IN MANY CASES IN EXCHANGE FOR COMPENSATION TO CUBA. THIS PRACTICE WILL GROW GIVEN CUBA'S INCREASING OUTPUT OF DOCTORS AND ENGINEERS.

--CUBA IS CURRENTLY BUILDING TWO 440 MW NUCLEAR POWER-GENERATING STATIONS. CUBANS HOPE TO BUILD TWO MORE. DECISION TO RELY ON NUCLEAR POWER TAKEN AFTER MUCH DEBATE. DESPITE VARIOUS TECHNICAL DIFFICULTIES, THERE IS NO OTHER PRACTICAL ALTERNATIVE, EXCEPT POSSIBLY SOLAR POWER IN FUTURE. TRANSPORTATION COSTS FOR OIL COMING FROM BLACK SEA WEIGHED HEAVILY IN CUBAN NUCLEAR POWER DECISION.

--CUBA RELIES ON SOVIET UNION NOT TO INCREASE LOCAL CONSUMPTION (WHICH WILL REMAIN STABLE) BUT FOR INVESTMENTS TO CREATE BASIS IN CUBA FOR FURTHER DEVELOPMENT. NO COUNTRY CAN DEVELOP TODAY WITHOUT FOREIGN FUNDS.

--CUBA IS INTERESTED IN COLLABORATING WITH FOREIGN STATES ON PETROLEUM PROSPECTING IN AND AROUND CUBA.
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SOME CANADIAN FIRMS ARE INTERESTED.

7. PRESIDENT OF NATION BANK OF CUBA RAUL LEON TORRAS.

--CUBA DRAWS ON OFFICIAL, STATE CREDITS ON LONG-TERM CONSORTIUM FINANCING FOR CAPITAL GOODS. FOR CONSUMPTION

ITEMS, CUBANS DO NOT USE SHORT-TERM COMMERCIAL CREDIT. ON THESE ITEMS, NATIONAL BANK DIRECTLY FINANCES WITH OWN FUNDS OR DRAWS FUNDS FROM BANKING INSTITUTIONS WITH WHICH IT HAS RELATIONS

--US AND CUBAN ECONOMIES ARE COMPLEMENTARY - US IMPORTS ITEMS THAT CUBA EXPORTS AND VICE VERSA. THE SIZE AND NEARNESS OF US MARKET WOULD STIMULATE GRADUAL DIVERSIFICATION OF CUBAN EXPORTS.

--NATIONAL BANK PAID INTEREST ON SAVINGS DEPOSITS FROM 1966 TO 1970 TO ABSORB EXCESS LIQUIDITY CREATED AS RESULT OF SHORTAGE OF GOODS AND SERVICES. WHEN THIS PROBLEM MANAGED BY BROADENING OF RATIONING SYSTEM, INTEREST PAYMENTS ABOLISHED. IN CONNECTION WITH TURN TO MATERIAL INCENTIVE SYSTEM, EFFORT MAY BE MADE IN 1978 TO CAPTURE INCREASED SAVINGS. OPENING OF SAVINGS ACCOUNT MAY BE REQUIRED IN ORDER TO GAIN RIGHT TO ACQUIRE CONSUMER GOODS. INCORPORATION OF NEW CONSUMER GOODS AND ACCUMULATION OF ADDITIONAL LIQUIDITY WILL STIMULATE SAVINGS. LOANS AT 5 TO 7.5 PERCENT INTEREST WILL BE GIVEN TO THOSE TOO POOR TO SAVE. THOSE WITHOUT SUFFICIENT FUNDS FOR REQUIRED INITIAL SAVINGS DEPOSIT WILL BE ALLOWED TO OPEN SAVINGS ACCOUNT AND WILL RECEIVE 3 PERCENT INTEREST.

--BASED ON PERCEDENT, CUBA WOULD PROBABLY BE WILLING TO LIQUIDATE ANY PRE-1959 COMMERCIAL DEBT OUTSTANDING WITH CONFIDENTIAL

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US EX-IM BANK FOLLOWING NORMALIZATION OF RELATIONS.

--CUBA PULLED OUT OF IMF AND IBRD BECAUSE IT OPPOSED ECONOMIC STRICTURES AND CRITERIA ASSOCIATED WITH FORMER, AND DOMINANT US POSITION IN LATTER. LATIN AMERICAN COLLEAGUES CONTINUE TO COMPLAIN ABOUT BOTH.

--US TREASURY DEPARTMENT FOREIGN ASSETS CONTROL OFFICE HAS NOT PERMITTED NATIONAL BANK OF CUBA TO USE US BANKS FOR FINANCIAL TRANSACTIONS INVOLVING CREDIT CARDS, OTHER TOURIST EXPENDITURES, AND CHARTER FLIGHTS - ALL CURRENTLY AUTHORIZED UNDER US EMBARGO RAGULATCONS. THIS FORCES USE OF THIRD COUNTRY BANKS AND CURRENCY-AN INCONVENIENCE WHICH IMPOSES ADDITIONAL COMMISSION CHARGES ON CUBANS (FLOWING FROM CONVERSIONS INTO AND OUT OF THIRD CURRENCIES.)
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